Mid-Year Report 2010

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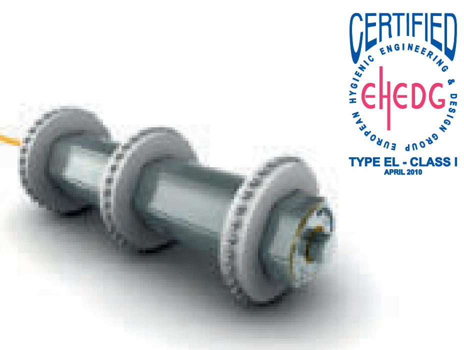
INTERROLL CORPORATE ART

August 11, 2010

Dear Shareholders

Overview

In the first half of 2010, Interroll was quick to turn positive indicators emerging from the markets to the company's advantage. However, there was still a general reluctance to invest in materials-handling projects. Revenue, in comparison with the first half of 2009, increased encouragingly, rising by 20.3 % in local currency and by 17.4 % in terms of Group currency from CHF 116.5 million to CHF 136.8 million. Order intake in Group currency was up 18.9 % on the same period last year; costs and margins developed slightly better than expected. Although prices of raw materials such as steel and plastics continued to climb sharply during the reporting period, Interroll was generally able to neutralise the effects of these increases thanks to productivity gains and a globally established purchasing pool. Earnings before interest, taxes, depreciation and amortisation (EBITDA) were 78.9 % above the figure for the first half of 2009, reaching CHF 15.2 million by the end of June 2010. Earnings before interest and taxes (EBIT) rose by a considerable CHF 6.7 million to CHF 7.5 million. Net profit for the period also improved significantly, from CHF 0.1 million in the comparable period of last year to CHF 5.3 million.



Left
New Interroll Synchronous Drum Motor

Above
New Interroll Centre of Excellence for conveyor modules and subsystems in Sinsheim, Germany: grand opening in October 2010

Thanks to sound financing and in line with its strategy of long-term growth, Interroll continues to press ahead on schedule with strategically important projects, such as the introduction of SAP and the construction and expansion of Centres of Excellence, despite the tough economic climate. The company has also refrained from scaling back expenditure on the development of new products aimed at generating future growth.

Business activity in North America picked up considerably in the first six months of 2010, a trend largely driven by Subsystems. Progress was also reported in Asia in the second quarter, while Europe stabilised at a very low level before signs of a recovery became apparent; the situation here continues to be overshadowed by an unwillingness to commit to major investments on account of the economic prospects and levels of national debt.

Within the highly promising growth markets of Brazil, India and China, Interroll has succeeded in establishing stronger links with major clients and putting even more ground between itself and its competitors.

During the reporting period, the company addressed the realignment of its worldwide sales organisation. It aims at increasing the market penetration of products, raising customer value through the overall availability of Interroll solutions and enhancing distribution productivity. Sales and distribution will be reorganised in stages by the end of 2011.

Financial position

Total assets stood at CHF 218.4 million at the end of June 2010 (compared to CHF 215.7 million at the end of 2009) and the equity ratio stood at 58.9 %. Investment (in the modernisation of production and the SAP system, amongst other things) amounted to CHF 12.9 million in the period under review. The rise in current assets linked to the growth in sales, together with current investment projects, pushed up net debt from CHF 4.2 million to CHF 10.4 million. In half-yearly comparison, cash flow declined from CHF 7.2 million to CHF 4.4 million, mainly as a result of higher net working capital arising from the substantial increase in sales.

The Components segment

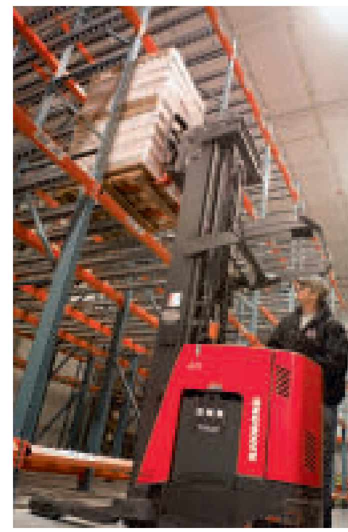
After a slow start to the first quarter of 2010, Interroll reported higher levels of new orders in all of its regional markets towards the middle of the year. Order intake for the Components segment rose by 16.3 % compared to the same period of 2009. Revenue increased by 10.9 % to CHF 90.4 million in local currency, and in Group currency by CHF 6.4 million to stand at CHF 88.0 million. All product categories delivered a contribution to sales growth. Thanks to strict cost controls, further improvements in productivity and rising volumes, operating profit (EBITDA) expanded by 24.5 %, from CHF 10.4 million to CHF 12.9 million. At the level of EBIT, operating profit rose sharply to CHF 7.0 million compared to CHF 4.4 million in the first six months of 2009.

There was a clear upturn in business activity in Europe against the same period last year, with upward trends also reported in North America and Asia over the same timeframe.

The recently launched synchronous drum motor, an energy-efficient drive concept for belt conveyors, was well received in the first half of the year (in the food sector, for example). The European Hygienic Engineering & Design Group (EHEDG) has certified the compatibility of the motor with food processing systems. Interroll's synchronous drum motor, a world first, is thus the first EHEDG-certified drive to use this technology.

Right
Interroll Crossbelt Sorter: Finnish Post Itella

Rightmost
New Interroll Belt Curve



In May 2010, the synchronous drum motor generated a highly positive response at IFFA, the leading international trade fair for the meat industry in Frankfurt/Germany.

The new drum motor solutions – with their easy-to-install cassettes for checkout systems – performed particularly well in comparison with the same period of the previous year. RollerDrives are also expected to make considerable gains in market share. In the first half of 2010, Interroll put the finishing touches to a new RollerDrive generation that will be launched this autumn. With its new control system, the product line will open up access to smaller plant constructors who will benefit from its advanced user friendliness. The new solution promises to consolidate the technological supremacy of Interroll.

The Subsystems segment

Although business activity for the Subsystems segment was static as the year began, the second quarter brought a significant recovery as investment funds were released for small-scale projects in particular; there remained a reluctance to commit to investment in larger projects. This trend is likely to continue throughout the second half of the year. In comparison with the same period of 2009, revenue generated within the Subsystems segment expanded by 39.6 %, from CHF 35.0 million to CHF 48.8 million. Earnings before interest, taxes, depreciation and amortisation (EBITDA) improved substantially, from CHF –1.9 million in the first six months of last year to CHF 2.3 million at the end of June 2010. EBIT also moved back into positive territory at CHF 0.5 million (compared to CHF –3.6 million for the 2009 period). Order intake at the end of June 2010 increased by 24.0 %, from CHF 41.6 million in the first half of 2009 to CHF 51.6 million.

In terms of sales, Europe, America and Asia reported double-digit increases for the first half of 2010, with the strongest growth coming in the US. Interroll received its biggest sorter contract so far in the region from a leading North American postal service. This year, Interroll plans to consolidate its manufacturing facilities in

Above
Interroll dynamic storage application in the USA

Bottom
Drum Motors for checkout stands: plug-and-play cassette solution

Right
Energy-efficient RollerDrives from Interroll

Thailand and China at a new Chinese site spanning over 10,000 square metres, the aim being to optimise production activity in Asia. Thereafter, Thailand will focus exclusively on the southeast Asia region as a sales hub providing local assembly for quick customer service.

During the reporting period, the new belt curve received a positive reception from the market. The British Airport Authority (BAA), agreed to use the device in its baggage handling systems at British airports. In China, Interroll secured its first large-scale orders for the new belt curve in connection with a series of airport projects; the company hopes, this will herald more projects of a similar nature in the future. Demand for safety equipment at airports also continued to rise over the past year.

In the first half of 2010, Interroll received two major orders in the area of Dynamic Storage. A wholesale distributor in South Africa placed a follow-up order linked to the expansion of a distribution centre; Interroll was able to win this contract on the basis of outstanding quality, a comprehensive product range and quick local service. The second dynamic storage project was concluded in May for a client in South America; in this case, Interroll's global network and references were the decisive factors, aside from the product itself.

Outlook

Although indications from the markets were encouraging in the first half of 2010, they do not point to a widespread turnaround in the economy; visibility may have improved since last year, but remains limited on the whole. The economic environment continues to be challenging as we approach the second half of 2010. We are, however, very well placed as we look to the future thanks to our sound financial base, the excellent brand reputation of our market-leading products and solutions and our long-established partnerships with customers. Our strategy of long-term expansion is based on sophisticated, energy-efficient, resource-friendly key products to support internal logistics. In this way, Interroll will continue to support customers around the world, including those involved in the increasingly important and eco-friendly field of "green logistics".

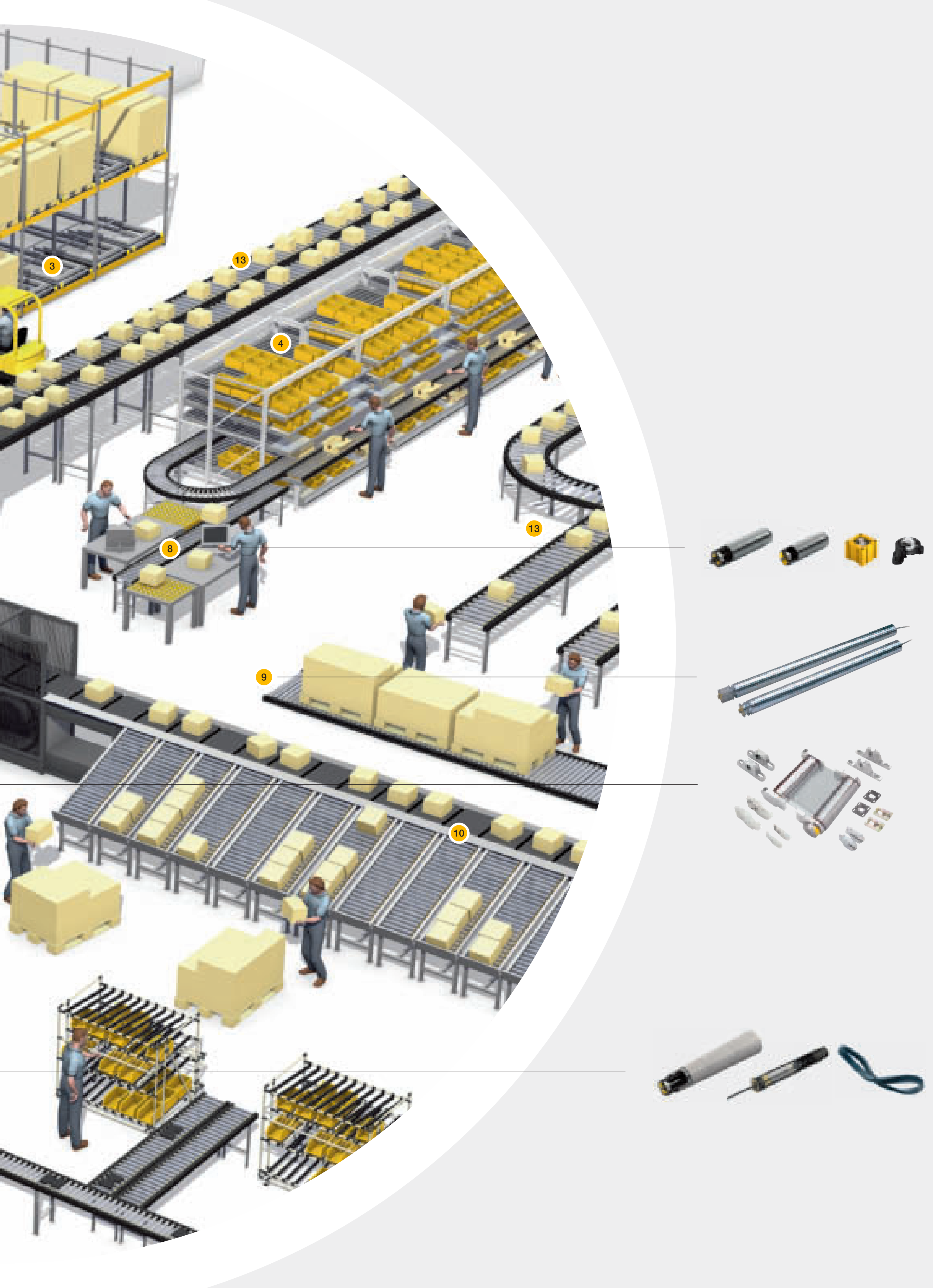
Paul Zumbühl
Chief Executive Officer

Kurt Rudolf
Chairman of the Board of Directors

The Heart of Conveyor Technology and Logistics

Consistent design from the initial concept through system integration to efficient operation: as the “Heart of conveyor technology and logistics”, Interroll’s best in class solutions ensure high-performance unit load handling at every stage of material processing – power, precision, perfection.

1. Energy and space-saving: FIFO pallet storage with full-width rollers
2. Space-optimising LIFO pallet flow storage modules with LIFO speed controllers …
3. … or with Cart Pushback
4. Efficient order picking with ergonomic Carton Flow (Floway wheel tracks)
5. Quick conversion: order picking from convertible Flex Flow racks
6. Space-saving drive solutions for belt conveyors: Drum Motors with Idler Pulleys, brackets and optional accessories (eg. controls)
7. Intelligent drive solutions for zero-pressure accumulation conveyors: 24 VDC RollerDrives with integrated control electronics, Conveyor Rollers and PolyVee or O-ring transmissions
8. Long life-cycle solutions for non-driven conveyors: Conveyor Rollers, omni-directional wheels and ball transfer units
9. Unbreakable “weightlifter”: pallet conveyor modules with PalletDrive
10. Highly economical, starting at throughputs of 2000 units/hour: Crossbelt Sorter with connecting conveyor modules
11. Space-saving solution for direction changes: Belt Curves and Spiral Curves
12. Smartest solution for height differentials: Belt Conveyor modules
13. Energy-saving and intelligent: Intelliveyor for zero-pressure accumulation



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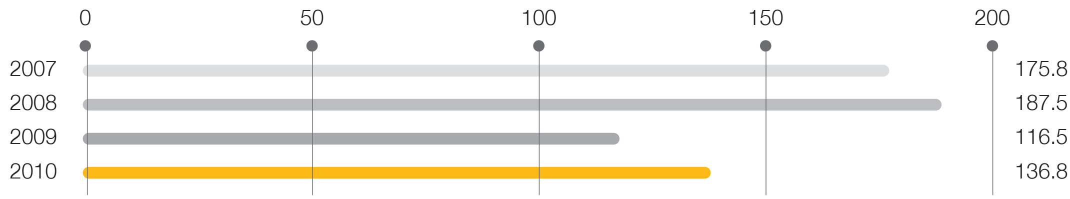
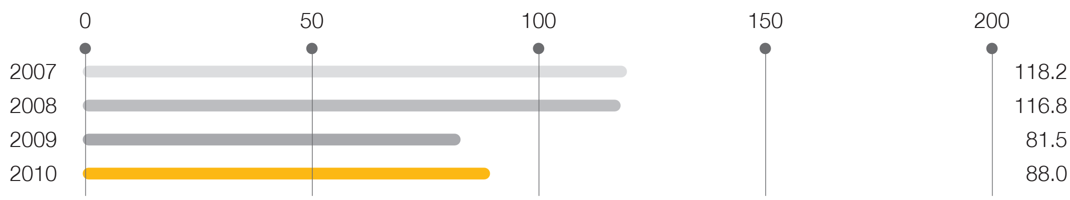
All charts from January to June, in million CHF

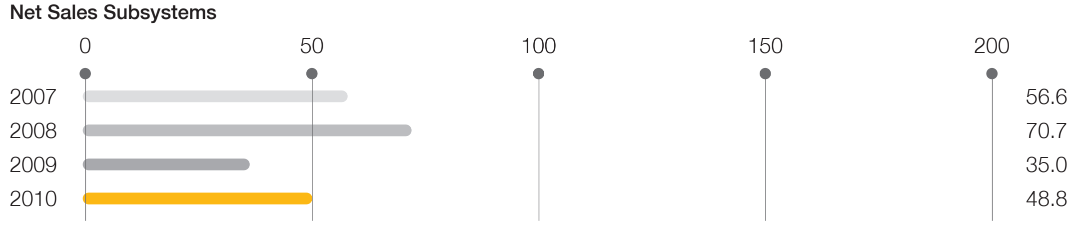
Net Sales Interroll Group consolidated



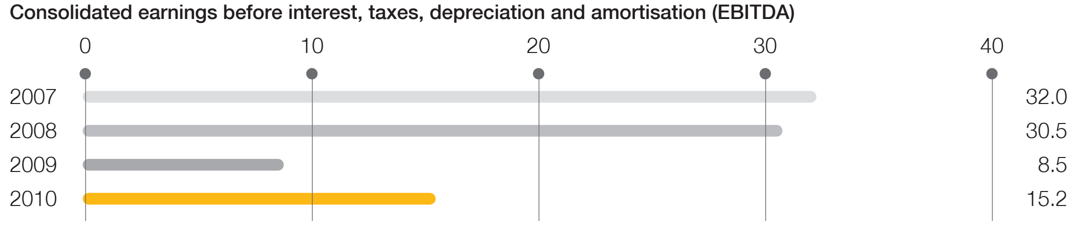
Net Sales Components



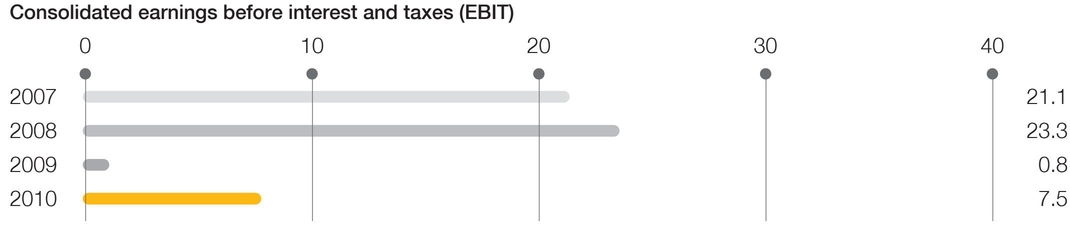
Net Sales Subsystems



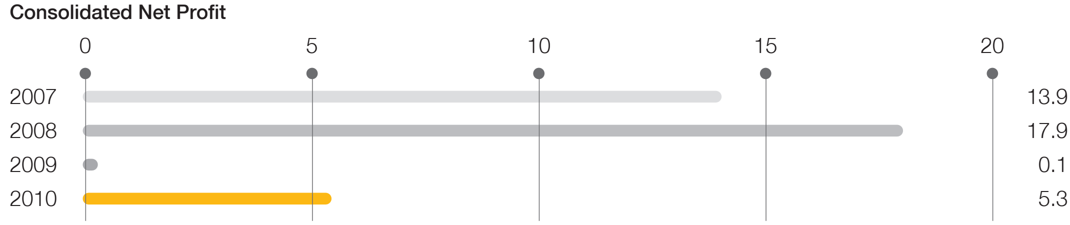
Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA)



Consolidated earnings before interest and taxes (EBIT)



Consolidated Net Profit



1 FINANCIAL STATEMENTS OF INTERROLL GROUP

1.1 Consolidated statement of financial position

in thousands CHF	30.06.2010	in %	31.12.2009	in %	30.06.2009	in %
ASSETS						
Property, plant and equipment	84 363		85 579		84 286	
Goodwill and other intangible assets	38 649		39 525		38 833	
Financial assets	860		923		1 083	
Deferred tax assets	191		202		273	
Total non-current assets	**124 063**	**56.8**	**126 229**	**58.5**	**124 475**	**56.5**
Assets held for sale	1 198		1 300		1 233	
Inventories	36 332		39 252		40 728	
Current tax assets	1 223		1 711		715	
Trade and other accounts receivable	48 456		38 814		44 470	
Cash and cash equivalents	7 131		8 387		8 812	
Total current assets	**94 340**	**43.2**	**89 464**	**41.5**	**95 958**	**43.5**
Total assets	**218 403**	**100.0**	**215 693**	**100.0**	**220 433**	**100.0**
EQUITY AND LIABILITIES						
Share capital	8 540		12 810		12 810	
Group reserves	148 780		140 636		135 719	
Translation reserve	–28 779		–20 422		–16 618	
Total equity	**128 541**	**58.9**	**133 024**	**61.7**	**131 910**	**59.8**
Financial liabilities	1 313		1 444		2 437	
Deferred tax liabilities	9 429		10 476		17 567	
Provisions	6 627		6 303		7 296	
Total non-current liabilities	**17 369**	**8.0**	**18 223**	**8.4**	**27 300**	**12.4**
Financial liabilities	16 189		11 118		6 584	
Current tax liabilities	5 164		6 359		9 884	
Trade and other accounts payable	51 140		46 969		44 755	
Total current liabilities	**72 493**	**33.2**	**64 446**	**29.9**	**61 223**	**27.8**
Total liabilities	**89 862**	**41.1**	**82 669**	**38.3**	**88 523**	**40.2**
Total liability and shareholder's equity	**218 403**	**100.0**	**215 693**	**100.0**	**220 433**	**100.0**

1.2 Consolidated income statement

in thousands CHF	Jan. - Jun. 2010	in %	Jan. - Jun. 2009	in %	Variance	in %
Net Sales	**136 799**	**100.0**	**116 515**	**100.0**	**20 284**	**17.4**
Material expenses	–53 824	–39.3	–48 878	–41.9		
Personnel expenses	–42 201	–30.8	–41 540	–35.7		
Increase/(Decrease) in work in progress, finished products and own goods capitalised	–3 031	–2.2	2 037	1.7		
Other operating expenses	–26 906	–19.7	–23 596	–20.3		
Other operating income	4 335	3.2	3 941	3.4		
EBITDA	**15 172**	**11.1**	**8 479**	**7.2**	**6 693**	**78.9**
Depreciation and impairment on property, plant and equipment	–5 334	–3.9	–5 280	–4.5		
EBITA	**9 838**	**7.2**	**3 199**	**2.7**	**6 639**	**207.5**
Amortisation	–2 323	–1.7	–2 403	–2.0		
EBIT	**7 515**	**5.5**	**796**	**0.7**	**6 719**	**844.1**
Financing expenses	–279	–0.2	–947	–0.8		
Financing income	1 032	0.8	205	0.2		
Financing result, net	**753**	**0.6**	**–742**	**–0.6**	**1 495**	**n/a**
Result before income taxes	**8 268**	**6.0**	**54**	**0.1**	**–**	**–**
Income tax expense	–2 955	–2.2	56	0.0		
Result	**5 313**	**3.9**	**110**	**0.1**	**5 203**	**n/a**
Earnings (result) per share						
Basic earnings per average share outstanding in CHF	6.85		0.14		6.71	
Diluted earnings per average share outstanding in CHF	6.85		0.14		6.71	

1.3 Consolidated statement of comprehensive income

in thousands CHF	Jan. - Jun. 2010	in %	Jan. - Jun. 2009	in %
Result	**5 313**	**–**	**110**	**–**
Currency translation differences	–8 357	–6.1	5 250	4.5
Changes in the fair value of cash flow hedges	–	–	–419	–0.4
Net change in fair value of cash flow hedges transferred to result	–	–	18	0.0
Other comprehensive income, net of taxes	**–8 357**	**–6.1**	**4 849**	**4.2**
Total comprehensive income for the period	**–3 044**	**–2.2**	**4 959**	**4.3**

1.4 Consolidated statement of cash flows

in thousands CHF	Jan. - Jun. 2010	Jan. - Jun. 2009
Result	**5313**	**110**
Depreciation, amortisation and impairment	7657	7683
Loss/(gain) on disposal of tangible and intangible assets	84	53
Financial result, net	−753	742
Income taxes	2955	−56
Changes in working capital	−7015	6904
Changes in provisions, net	650	−626
Income taxes paid	−4054	−7720
Personnel expenses on share based payments	1234	467
Other non-cash (income)/expenses	−1697	−333
Cash flow from operating activites	**4374**	**7224**
Acquisition of property, plant and equipment	−8887	−6650
Acquisition of intangible assets	−4034	−2308
Acquisition of financial assets	−11	−320
Proceeds from disposal of property, plant and equipment	169	520
Settlement of loans receivable	89	12
Acquisition of subsidiaries, net of cash acquired	–	−4595
Interests received	59	205
Cash flow from investing activities	**−12615**	**−13136**
Free cash flow	**−8241**	**−5912**
Changes in own shares, net	1137	–
Proceeds from financial liabilities	6644	346
Repayment of financial liabilities	−472	−7275
Interests paid	−438	−585
Cash flow from financing activities	**6871**	**−7514**
Translation adjustment on cash and cash equivalents	114	606
Change in cash and cash equivalent	**−1256**	**−12820**
Cash and cash equivalent at January 1	8387	21632
Cash and cash equivalent at June 30	**7131**	**8812**

1.5 Consolidated statement of changes in equity

in thousands CHF	SHARE CAPITAL	SHARE PREMIUM	RESERVE FOR OWN SHARES	TRANSLATION RESERVE	HEDGING RESERVE	RETAINED EARNINGS	TOTAL EQUITY
Balance at January 1, 2009	**17 080**	**29 848**	**–34 652**	**–21 868**	**228**	**140 095**	**130 731**
Result						**110**	**110**
Translation adjustments				5 250			5 250
Effective portion of changes in the fair value of cash flow hedges					–419		–419
Net change in fair value of cash flow hedges transferred to result					18		18
Other comprehensive income, net of taxes	**–**	**–**	**–**	**5 250**	**–401**	**–**	**4 849**
Comprehensive income	**–**	**–**	**–**	**5 250**	**–401**	**110**	**4 959**
Reduction in par value	–4 270		412				–3 858
Share based payment transaction		–410	877				467
Changes in own shares, incl. tax effects		–883	494				–389
Balance at June 30, 2009	**12 810**	**28 555**	**–32 869**	**–16 618**	**–173**	**140 205**	**131 910**
Balance at December 31, 2009	**12 810**	**28 145**	**–32 386**	**–20 422**	**–**	**144 877**	**133 024**
Result						**5 313**	**5 313**
Translation adjustments				–8 357			–8 357
Effective portion of changes in the fair value of cash flow hedges							–
Net change in fair value of cash flow hedges transferred to result							–
Other comprehensive income, net of taxes	**–**	**–**	**–**	**–8 357**	**–**	**–**	**–8 357**
Comprehensive income	**–**	**–**	**–**	**–8 357**	**–**	**5 313**	**–3 044**
Reduction in par value	–4 270		386				–3 884
Share based payment transaction		325	909				1 234
Changes in own shares, incl. tax effects		–518	1 729				1 211
Balance at June 30, 2010	**8 540**	**27 952**	**–29 362**	**–28 779**	**–**	**150 190**	**128 541**

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of the consolidated financial statements

Convention of preparation

The condensed, unaudited consolidated interim financial statements as per June 30, 2010 have been prepared in accordance with IAS 34 («interim period») and are based on the uniform financial statements of INTERROLL HOLDING LTD. and its subsidiaries («the Group»). All statements are prepared based on uniform Group accounting principles. This interim statement reflects an update of previously published information. Therefore, it should always be read in conjunction with the annual report 2009. The interim statements were approved by the Board of Director on July 28, 2010.

The applied accounting principles in the consolidated interim statements are in line with those of the annual report 2009 but include the following, new or amended IFRS standards and interpretations.

Contrary to the annual report 2009, the consolidated income statement and the consolidated statement of comprehensive income are presented in two separate reports.

New or amended IAS/IFRS standards and interpretations

All new or amended IAS/IFRS standards as well as interpretations with effect as per 2010 (IFRS 1, IFRS 2, IFRS 3, IFRS 5, IAS27, IAS 28, IAS 38, IAS 39, IFRIC 17) had no material effect onto the consolidated financial reporting of the Group. They merely result in additional disclosures or in adjusted presentations of the consolidated financial statements.

As per balance sheet date, IFRS 9 (effective as per 2013) and IAS 32 amended (effective as per 2011) were released. The relating impact on the consolidated financial statements of the Group cannot yet be determined with sufficient reliability. All other standards released (IFRIC 19, IAS 24, IFRIC 14) which will come into effect as from the year 2011 or after will only have minor or no effect on the consolidated financial statements.

Critical accounting estimates and judgments

The preparation of the consolidated interim financial statements requires management to make estimates, assumptions and judgments for the determination of income, expenses, assets, liabilities and for the disclosure of contingent liabilities. Such estimates, which are based on the management's best knowledge and belief at the reporting date, may deviate from actual circumstances. In such a case, they will be modified as appropriate in the period in which the circumstances change.

2.2 Accounting policies and standards

Acquisitions of consolidated subsidiaries resp. business activities
In the course of the interim period, there was no acquisition of subsidiaries or business activities respectively. There were no payments due from previous acquisitions.

In the previous year, the Group acquired assets of two companies for a total of CHF 3.5 million: The net assets of “Maxwell Manufacturing Company” were acquired by Interroll Components Canada Ltd. for an amount of CHF 0.8 million and allow the extension of the added-value-chain in the business area for supermarket products. The net assets of “BMW metal Fabrication Inc. and ACF Partners Inc.” were acquired for an amount of CHF 2.7 million and were incorporated into the newly founded company “Interroll Dynamic Storage Inc.”. It produces and sells modules for flow storage systems.

Other changes in the consolidation range
Assets and liabilities of Inroll Ltd., British Virgin Islands, belonging to the scope of consolidation, were merged with Interroll (Schweiz) AG as per June 1, 2010. Inroll Ltd. was thereafter liquidated. Furthermore Interroll Holding A/S has been merged with its subsidiary Interroll Joki A/S as per end of May 2010. Also Interroll Financial Canada Ltd. in Aurora/Toronto has been merged with its subsidiary Interroll Components Canada Ltd., Concord/Toronto as per January 1, 2010.

2.3 Segment information

Income statement and tangible assets as per operational segment

	COMPONENTS				SUBSYSTEMS				TOTAL SEGMENTS	
in thousands CHF	2010	in %	2009	in %	2010	in %	2009	in %	2010	2009
Net sales third party	87954	99.2	81536	100.0	48845	98.3	34979	100.0	136799	116515
Sales with other segments	710	0.8	–	0.0	849	1.7	–	0.0	1559	–
Net sales segments*	**88664**	**100.0**	**81536**	**100.0**	**49694**	**100.0**	**34979**	**100.0**	**138358**	**116515**
Material expenses	–33825	–38.1	–30903	–37.9	–21670	–43.6	–17975	–51.4	–55495	–48878
Personnel expenses	–27249	–30.7	–26457	–32.4	–14952	–30.1	–15083	–43.1	–42201	–41540
Change in WIP/FG	94	0.1	–1051	–1.3	–3125	–6.3	3088	8.8	–3031	2037
Other operating result, net	–14763	–16.7	–12747	–15.6	–7696	–15.5	–6908	–19.7	–22459	–19655
EBITDA	**12921**	**14.6**	**10378**	**12.7**	**2251**	**4.5**	**–1899**	**–5.4**	**15172**	**8479**
Depreciation	–3845	–4.3	–3752	–4.6	–1489	–3.0	–1528	–4.4	–5334	–5280
EBITA	**9076**	**10.2**	**6626**	**8.1**	**762**	**1.5**	**–3427**	**–9.8**	**9838**	**3199**
Amortisation	–2097	–2.4	–2207	–2.7	–226	–0.5	–196	–0.6	–2323	–2403
EBIT	**6979**	**7.9**	**4419**	**5.4**	**536**	**1.1**	**–3623**	**–10.4**	**7515**	**796**
Total assets	145906		152134		64503		58520		210409	210654
Total liabilities	30528		29360		27790		22688		58318	52048
Investments	5575		5652		7346		3306		12921	8958
Employees	773		783		428		441		1201	1224

Reconciliation

	TOTAL SEGMENTS				RECONCILIATION TO GROUP FIGURES		TOTAL GROUP			
in thousands CHF	**2010**	**in %**	**2009**	**in %**	**2010**	**2009**	**2010**	**in %**	**2009**	**in %**
Net sales third party	136799	98.9	116515	100.0			136799	100.0	116515	100.0
Sales with other segments	1559	1.1	–	0.0	−1559	–	–	0.0	–	0.0
Net sales segments*	**138358**	**100.0**	**116515**	**100.0**	**−1559**	**–**	**136799**	**100.0**	**116515**	**100.0**
Material expenses	−55495	−40.1	−48878	−41.9	1671	–	−53824	−39.3	−48878	−41.9
Personnel expenses	−42201	−30.5	−41540	−35.7			−42201	−30.8	−41540	−35.7
Change in WIP/FG	−3031	−2.2	2037	1.7			−3031	−2.2	2037	1.7
Other operating result, net	−22459	−16.2	−19655	−16.9	−112	–	−22571	−16.5	−19655	−16.9
EBITDA	**15172**	**11.0**	**8479**	**7.3**	**–**	**–**	**15172**	**11.1**	**8479**	**7.2**
Depreciation	−5334	−3.9	−5280	−4.5			−5334	−3.9	−5280	−4.5
EBITA	**9838**	**7.1**	**3199**	**2.7**	**–**	**–**	**9838**	**7.2**	**3199**	**2.7**
Amortisation	−2323	−1.7	−2403	−2.1			−2323	−1.7	−2403	−2.0
EBIT	**7515**	**5.4**	**796**	**0.7**	**–**	**–**	**7515**	**5.5**	**796**	**0.7**
Total assets	210409		210654		7994	9779	218403		220433	
Total liabilities	58318		52048		31544	36475	89862		88523	
Investments	12921		8958		–	–	12921		8958	
Employees	1201		1224		–	–	1201		1224	

* Transactions between segments were not evaluated in the previous year's interim period.

The management structure of the Interroll Group is governed by organization regulations. All strategic and major operational decisions lie within the competence of the Board of Directors who also decides on the allocation of financial resources. The Interroll Group is managed through two organizational segments which primarily are defined by their product groups and their sales and distribution channels.

a) The segment "components" develops, produces and sells rollers, roller drives and drum motors and uniquely sells to OEMs. The production process is optimized for a large number of orders and follows the principle of mass production.

b) The segment "subsystems" develops, produces and sells flow storage modules for heavy and light duty applications as well as modules for the internal unit load handling logistic such as belt curves, sorters and roller-/belt conveyors. Customers are on one hand OEMs and on the other hand especially system integrators and end customers. The production process consists of parts production and consecutive assembly of the final products.

The major assessment drivers are the EBITDA/EBIT and the return on net assets (RONA) based on the accounting principles IAS/IFRS. In view of the centralized financing by group treasury, no financial expenses are allocated onto segments. Furthermore the legal structure clearly deviates from the management structure which is the reason for non-allocation of income taxes onto the segments.

2.4 Notes to the consolidated statement of financial position

Total assets
Total assets increased compared to the year end 2009 is mainly due to the higher sales with relating effect on trade receivables.

Investments/capital expanditures
Investments are mainly related to the extension of the competence centre for Rollers in Wermelskirchen/Germany and the new facility for module production in Sinsheim/Germany. Both buildings will be completed during the second half of the year. Further investments relate to the construction and introduction of a new, groupwide uniform ERP system.

In line with IAS 36, goodwill and other intangible assets are subject to an annual impairment test. These tests are normally performed in the second half of the year. Currently, no evidence exists for impairment.

Net financial liabilities (net debt)
The net debts as per end of the reporting period amount to CHF 10.4 million (year end 2009: CHF 4.2 million). The increase relates on one hand to the rise of the net working capital as a result of sales growth. On the other hand no major cut backs were initiated on the investment program.

The total credit lines available as per end of the reporting period amount to CHF 75.1 million, of which CHF 57.6 million remain unused. From these credit lines CHF 40 million are committed until March 2012 under condition that debt covenance is complied with.

The debt covenants have always been complied with during the interim period.

Equity
Equity decreased by CHF 4.5 million to CHF 128.5 million compared to the previous year end. The par value reduction totalling CHF 3.9 million has been debited to equity as per end of this year’s interim period and allocated to the short term liabilities. The equity ratio as per end of the interim period corresponds to 58.9 % (year end 2009: 61.7 %).

2.5 Notes to the consolidated statement of comprehensive income

Net sales

Net sales in reporting currency have increased by 17.4 % from CHF 116.5 million to CHF 136.8 million compared to the previous year's period. Excluding foreign currency effects the increase represents a growth of 20.3 %.

Both reporting segments and all regions have contributed to this growth. Although the global economy has improved customers remain cautious with investments.

Personnel expenses

Personnel expenses include, in line with IFRS 2, an amount of CHF 0.7 million reflecting the value increase of the existing share options issued to management. The option- and blocking period of the share options have been extended (see "Notes to the consolidated statement of changes in equity").

Earnings before interest and taxes (EBIT)

The operating profit EBIT increased from CHF 0.8 million in the previous year period to CHF 7.5 million in the current interim period. Volume effects, an increased gross margin and a strict cost control contributed to the positive result improvement. Product development on the existing product range have not been reduced.

Income tax expense

Income tax expense is recognized based upon the best estimates of the weighted average annual income tax rate for the full financial year. The tax rate presented in the interim report contains tax recoveries/-adjustment charges from previous years. It is also influenced by distinguished assessment of future realizable losses carried forward.

Result

The profit presented for the reporting period amounts to CHF 5.3 million (previous year's period: CHF 0.1 million). The profit is not influenced by acquisition activities in the interim period while it was insignificant in the previous year's period.

2.6 Notes to the consolidated statement of cash flows

Cash flow from operating activities

The cash flow from operating activities amounts to CHF 4.4 million (previous year's period: CHF 7.2 million). The improvement in net sales especially resulted in an increase of trade receivables and required respective funding.

Cash flow from investing activities

For investments into buildings, machinery and the new ERP system CHF 12.9 million (previous year's period: CHF 9.0 million) were spent (see "Notes to the consolidated statement of financial position").

In the period under review no acquisitions or business activities were undertaken. Furthermore no partial payments were due from previous year's acquisitions.

For the net assets of "BMW Metal Fabrication Inc. and ACF Partners Inc." and for "Maxwell Manufacturing Company" as well as for payments related to acquisitions from years before an amount of CHF 4.6 million was paid from cash & cash equivalents in the previous year period.

Cash flow from financing activities

End of February 2010, the last instalment (CHF 6.0 million) for the loan borrowed to finance the acquisition of the BDL Group was settled. The net liquidity need is refinanced through short term loans.

The payment of the par value reduction will take place beginning of August 2010 and is therefore not yet reflected in the cash flow statement.

2.7 Notes to the consolidated statement of changes in equity

Nominal capital repayment

At the general assembly held on May 7, 2010, a par value reduction of CHF 5 per share was approved. The respective amount of CHF 3.9 million is disclosed as a short term liability in the interim statement. There is no liability presented for the par value reduction on own shares. The legal execution will take place on July 28, 2010, the payment will be settled on August 10, 2010.

Option plan

During the first half year of 2010, the Board of Directors decided to extend the option life and blocking period of the existing management share option plan by two years. The increase in value of the option of CHF 0.7 million was credited to share premium.

Assignment of equity instruments

Equity compensation to members of the management in the amount of CHF 0.5 million (previous year: CHF 0.5 million) was expensed.

3 FURTHER DISCLOSURES AND INFORMATION

Events after the balance sheet date, seasonality

The Group did not identify any events after the closing date of the interim statement that would have a material effect on the presentation of its financial position as at June 30, 2010.There are no other facts which require disclosure according to IAS 34.

The industry in which the Group operates does not have significant seasonal variations which would result in a materially different result in the second half year compared to the reporting period. However, current difficult economical environment can have an impact on the short term profitability.

Contingent liabilities

There are no contingent liabilities in the period under review.

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